

White Lake Fire Authority
Muskegon County, Michigan
REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

December 31, 2004

61-7519

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name WHITE LAKE FIRE AUTHORITY	County MUSKEGON
Audit Date 12/31/04	Opinion Date 4/4/05	Date Accountant Report Submitted to State: 4/7/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) BRICKLEY DELONG, PLC			
Street Address 500 TERRACE PLAZA - P.O. BOX 999		City MUSKEGON	State MI
Accountant Signature <i>Trinity D. Carter, C.P.A. for Brickley DeLong, PLC</i>		ZIP 49443	Date 4/7/2005

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White Lake Fire Authority
Management's Discussion and Analysis
December 31, 2004

Brief discussion of the basic financial statements

This annual report consists of three parts-*management's discussion and analysis, the basic financial statements, and required supplementary information*. The basic financial statements include information that presents two different views of the Authority.

- *The first three columns of the financial statements include information about the Authority's General Fund and two capital project funds under the modified accrual method of accounting. These financial statements focus on current resources and provide a detailed view of the Authority's sources and uses of funds.
- *The "Adjustments" columns of the financial statements represent adjustments necessary to convert the modified accrual statements to the government-wide financial statements under the full accrual method of accounting required for the year ended December 31, 2004.
- *The last column provides both long term and short term information about the Authority's overall financial status. The "Statement of Net Assets" and the "Statement of Activities" provide information about the activities of the Authority as a whole, and present a longer term view of the Authority's finances.

The financial statements also include *notes* which explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Since this is the first year that a *management's discussion and analysis* report is required to be presented, consistent with Governmental Accounting Standards Board Statement Number 34, this year's report does not show data in comparison with the prior years. In the future, the condensed financial information which follows will include that information.

Condensed Financial Information

A. Statement of Net Assets

The current assets are comprised of cash and investments and property taxes receivables. The majority of the cash and investments balance is related to capital replacement funds. The taxes receivable represents taxes levied in December 2004, but not collected or recognized until 2005. The taxes are not recognized as revenues since they are intended to fund fiscal year 2005 operation. Funds invested in capital assets represent equipment net of accumulated depreciation.

The current liabilities are primarily deferred revenue related to the taxes receivable noted above. The Authority had no long-term debt at December 31, 2004

The net assets are divided into three types. "Invested in capital assets" represents the Authority's net investment in fixed assets net of accumulated depreciation. The "reserved for capital projects" represents the monies set aside for future equipment and facilities upgrades and replacements. The unrestricted net assets represent assets available to the Authority.

White Lake Fire Authority
Management's Discussion and Analysis
December 31, 2004

Condensed Statement of Net Assets

Current assets	\$ 1,068,796
Capital assets, net of depreciation	<u>701,981</u>
Total assets	1,770,777
 Current liabilities	 <u>(468,760)</u>
 Net assets	
Invested in capital assets	701,981
Restricted for capital projects	543,897
Unrestricted	<u>56,139</u>
 Total net assets	 <u>\$ 1,302,017</u>

B. Statement of Activities

The statement of activities measures the Authority's financial performance for the year. The largest revenue source is property taxes which represents approximately 92% of total revenues. The largest expenses are salaries and wages and the associated fringe benefits and depreciation, which represent approximately 50% and 14% of total expenditures, respectively.

Condensed Statement of Activities

General revenues	
Property taxes	\$ 449,292
Intergovernmental revenues	21,978
Grants and contributions	4,530
Other	<u>10,448</u>
Total Revenues	486,248
 Expenditures	
Salaries, wages and fringe benefits	242,812
Depreciation expense	60,523
Other expenses	<u>122,001</u>
Total Expenditures	<u>425,336</u>
 Change in net assets	 60,912
 Net assets at January 1, 2004	 <u>1,241,105</u>
 Net assets at December 31, 2004	 <u>\$ 1,302,017</u>

White Lake Fire Authority
Management's Discussion and Analysis
December 31, 2004

Analysis of modified accrual Financial Statements

The Authority operates three separate funds, each of which serves a different function. The General Fund is the Authority's primary operating fund in which all transactions for day to day operations are recorded. The capital project funds are established to set aside funds for the future upgrades and replacement of equipment and facilities.

The Fund balance of the General Fund increased \$2,980. The ending fund balance of \$55,889 is equal to approximately two months worth of expenses.

In the General Fund, the significant balances, other than cash and investments, are property taxes receivable and an off-setting deferred revenue account, since the taxes levied in December 2004 are intended to fund fiscal year 2005.

The largest expenses of the General Fund are salaries and wages, and related fringe benefits. The fringe benefits include payroll taxes and workers compensation insurance for all employees, and health, life, vision and dental insurance, and retirement for full-time employees.

The Fund balance of the Capital project funds both increased during the year, primarily the result of transfers from the General Fund. The Equipment replacement fund invested approximately \$21,500 in various small pieces of equipment. The Facility fund had a small amount of maintenance activity.

Authority Budget Highlights

The original budget was amended in several areas. Three of the larger adjustments were to the salaries and wages, equipment maintenance and other expenses accounts. The wages were adjusted downward due to lower than anticipated actual wages. The equipment maintenance account was adjusted upward due to a couple of larger unanticipated maintenance items. The other expense was adjusted upward due to an increase in fire prevention promotional expenses and an increase in medical supplies.

The Authority did not have any significant budget overages. The other income was over budget due to billings for nonresident calls. The salaries and wage expenditure account was over budget due to an unanticipated increase in call volume in December 2004.

White Lake Fire Authority
Management's Discussion and Analysis
December 31, 2004

Significant Capital Assets

The Authority did not make any individually significant equipment purchases during the year. The largest categories of capital assets are transportation equipment and equipment, which represent 73% and 25%, respectively.

Anticipated Budget Factors and Currently Known Facts for 2005

The 2005 budget is expected to show an increase in fund balance due to the increase in the Authority's property tax base. The Authority increased its budget for salaries and wages related to the additional full-time employees. The Authority has also been awarded a couple of grants for the purchase of equipment of approximately \$60,000.

The Authority has committed approximately \$700,000 for the purchase of a ladder truck and hover craft. The ladder truck, which cost approximately \$637,000, will be purchased with an installment purchase plan with a down payment of \$250,000. The hover craft costs approximately \$27,000 and it will be purchased out of existing funds.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances for all those interested in them. Questions may be directed to the Fire Chief, Robert Phillips, at White Lake Fire Authority, 115 S. Baldwin, Whitehall, MI 49461.

BRICKLEY DeLONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

April 4, 2005

Board of Directors
White Lake Fire Authority
Muskegon, Michigan

We have audited the accompanying financial statements of White Lake Fire Authority as of and for the year ended December 31, 2004, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the White Lake Fire Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of White Lake Fire Authority as of December 31, 2004 and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of January 1, 2004.

The management's discussion and analysis and budgetary comparison information on pages i through iv and 12 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Brickley DeLong, PLLC

White Lake Fire Authority
BALANCE SHEET—STATEMENT OF NET ASSETS
December 31, 2004

ASSETS	General	Equipment replacement	Facilities	Total	Adjustments	Statements of Net Assets
Cash and investments	\$ 74,403	\$ 341,035	\$ 202,862	\$ 618,300	\$ -	\$ 618,300
Taxes receivable, net	450,246	-	-	450,246	-	450,246
Accounts receivable	250	-	-	250	-	250
Capital assets, net	-	-	-	-	-	-
Depreciable	-	-	-	-	701,981	701,981
Total assets	\$ 524,899	\$ 341,035	\$ 202,862	\$ 1,068,796	701,981	1,770,777
LIABILITIES						
Accounts payable	\$ 79	\$ -	\$ -	\$ 79	-	79
Accrued liabilities	3,847	-	-	3,847	-	3,847
Deferred revenues	464,834	-	-	464,834	-	464,834
Total liabilities	468,760	-	-	468,760	-	468,760
FUND BALANCE						
Reserved for equipment replacement	-	341,035	-	341,035	(341,035)	-
Reserved for facility replacements	-	-	202,862	202,862	(202,862)	-
Unreserved						
Undesignated	56,139	-	-	56,139	(56,139)	-
Total fund balance	56,139	341,035	202,862	600,036	(600,036)	-
Total liabilities and fund balance	\$ 524,899	\$ 341,035	\$ 202,862	\$ 1,068,796	-	-
NET ASSETS						
Invested in capital assets					701,981	701,981
Restricted for capital projects					543,897	543,897
Unrestricted					56,139	56,139
Total net assets					\$ 1,302,017	\$ 1,302,017

The accompanying notes are an integral part of this statement.

White Lake Fire Authority
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
IN FUND BALANCES—STATEMENT OF ACTIVITIES
Year ended December 31, 2004

	General	Equipment replacement	Facilities	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 449,292	\$ -	\$ -	\$ 449,292	\$ -	\$ 449,292
Intergovernmental revenue						
Local	21,978	-	-	21,978	-	21,978
Investment income	1,561	2,247	1,440	5,248	-	5,248
Contributions	1,500	3,030	-	4,530	-	4,530
Other	5,200	-	-	5,200	-	5,200
	<u>479,531</u>	<u>5,277</u>	<u>1,440</u>	<u>486,248</u>	<u>-</u>	<u>486,248</u>
Expenditures						
Current						
Salaries and wages	183,001	-	-	183,001	-	183,001
Fringe benefits	59,811	-	-	59,811	-	59,811
Operating supplies	4,932	-	-	4,932	-	4,932
Gasoline	8,154	-	-	8,154	-	8,154
Equipment maintenance	15,416	-	-	15,416	-	15,416
Office supplies	3,441	-	-	3,441	-	3,441
Insurance and bonds	16,326	-	-	16,326	-	16,326
Communications	11,638	-	-	11,638	-	11,638
Education and training	4,238	-	-	4,238	-	4,238
Professional fees	10,130	-	-	10,130	-	10,130
Uniforms	1,434	-	-	1,434	-	1,434
Rental and lease expense	15,286	-	-	15,286	-	15,286
Other	7,808	-	-	7,808	-	7,808
Depreciation	-	-	-	-	60,523	60,523
Capital outlay	5,474	35,875	4,691	46,040	(22,842)	23,198
	<u>347,089</u>	<u>35,875</u>	<u>4,691</u>	<u>387,655</u>	<u>37,681</u>	<u>425,336</u>
Total expenditures						
	132,442	(30,598)	(3,251)	98,593	(37,681)	60,912
Excess of revenues over (under) expenditures						
	(129,212)	109,695	19,517	-	-	-
Other financing sources (uses)						
Operating transfers in (out)						
	3,230	79,097	16,266	98,593	(37,681)	60,912
Change in fund balance—net assets						
Fund balances—net assets at January 1, 2004	52,909	261,938	186,596	501,443	739,662	1,241,105
Fund balances—net assets at December 31, 2004	<u>\$ 56,139</u>	<u>\$ 341,035</u>	<u>\$ 202,862</u>	<u>\$ 600,036</u>	<u>\$ 701,981</u>	<u>\$ 1,302,017</u>

The accompanying notes are an integral part of this statement.

White Lake Fire Authority
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Effective January 1, 2004, the Authority adopted GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37 and No. 38. These statements primarily establish standards for external financial reporting for state and local governments. Certain significant changes in these statements include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.
- The Authority's activities are presented on both the modified accrual basis of accounting (as in the past) as well as the full accrual basis of accounting.
- Expansion of footnote disclosures.
- These and other changes are reflected in the accompanying financial statements, including notes to financial statements.

The beginning net assets restated for the effects of implementation of GASB Statement No. 34 are as follows:

Fund balance at January 1, 2004—governmental funds	\$ 501,443
Net capital assets	<u>739,662</u>
Restated net assets at January 1, 2004	\$ <u>1,241,105</u>

1. Reporting Entity

White Lake Fire Authority is incorporated under the provisions of Act 57 Public Acts of 1988 in Michigan for the purpose of providing a fire protection and rescue services to Fruitland Township, Whitehall Township and the City of Whitehall. The Authority is governed by a six member Board, appointed by the participating governmental units, and is administered by a Fire Chief appointed by the Board.

The accounting policies of the Authority conform to generally accepted accounting principles as applicable to a governmental fund type of a governmental unit.

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Authority. Separate financial statements are provided for governmental funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

White Lake Fire Authority
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

3. Measurement Focus and Basis of Accounting

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, operating statements present increases and decreases in net current assets, and unreserved fund balance is a measure of available spendable resources. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, compensated absences and claims and judgments, are recorded only when payment is due.

Unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Authority.

The Authority reports the following major governmental funds:

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

The Equipment Replacement Fund and Facility Fund are used to account for the purchase of capital assets for the Authority.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

4. Assets, Liabilities and Fund Equity or Net Assets

Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Authority has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Authority to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

White Lake Fire Authority
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Assets, Liabilities and Fund Equity or Net Assets—Continued

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All property tax receivables are shown net of an allowance for uncollectibles.

Property taxes are levied on December 1 and are due without penalty on or before February 14. The property taxes attach as an enforceable lien on property as of December 1. Uncollected real property taxes as of the following March 1 are turned over by the participating municipalities to the County for collection. The County advances the Authority all of these delinquent real property taxes. Collection of delinquent personal property taxes as of March 1 remain the responsibility of the Authority. The 2003 State taxable valuation for real/personal property of the Authority total was approximately \$305,800,000. The ad valorem taxes levied consisted of 1.44 mills for operating purposes.

Prepaid Expenditures

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures. The prepaid items recorded in the governmental fund types do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is reserved.

Capital Assets

Capital assets, which include plant and equipment are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Leasehold improvements	10
Transportation equipment	6-20
Equipment	10
Furniture and fixtures	7
Office equipment	5

White Lake Fire Authority
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Assets, Liabilities and Fund Equity or Net Assets—Continued

Compensated Absences

The Authority's full-time employees are granted vacation and sick leave in varying amounts based upon length of service and position. Unused vacation and sick time does not accumulate from year to year.

Fund Balance and Net Assets

Reservations and restrictions represent amounts that are not appropriable or are legally segregated for a specific purpose.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets, as required by state statutes, are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

The Authority follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the beginning of the year, the Fire Chief submits to the Authority Board a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Not later than December 31, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Authority Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund and individual revenue and expenditure line item. The legal level of budgetary control is the individual line item. The Authority Board made several supplemental budgetary appropriations throughout the year.

NOTE C—DEPOSITS AND INVESTMENTS

1. Deposits

The Authority's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits insured or collateralized with securities held by the entity or its agent in the entity's name. Category 2 includes deposits collateralized with securities held by the pledging financial institutions' trust department or agent in the entity's name. Category 3 includes deposits which are uncollateralized.

As of December 31, 2004, the Authority's carrying amount of deposits was \$300 and the bank balance was \$25,333. The bank balance was covered by federal depository insurance.

White Lake Fire Authority
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE C—DEPOSITS AND INVESTMENTS—Continued

2. Investments

As of December 31, 2004, the Authority's investments represented holdings in investment pools and mutual funds. During the year ended December 31, 2004, the Authority's investments were only in this type of investment.

The Authority's investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered, or the securities held by the Authority's or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Authority's name. The state-approved investment pools are not categorized as they are synonymous with mutual funds. As of December 31, 2004, the Authority's fair value in those pools and mutual funds was \$618,000.

NOTE D—CAPITAL ASSETS

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
Capital assets, being depreciated:				
Leasehold improvements	\$ 2,631	\$ 1,359	\$ -	\$ 3,990
Transportation equipment	638,982	6,710	-	645,692
Equipment	241,967	13,387	29,589	225,765
Furniture and fixtures	1,921	-	80	1,841
Office equipment	<u>12,973</u>	<u>1,386</u>	<u>1,663</u>	<u>12,696</u>
Total capital assets, being depreciated	898,474	22,842	31,332	889,984
Less accumulated depreciation for:				
Leasehold improvements	2,631	34	-	2,665
Transportation equipment	72,079	40,365	-	112,444
Equipment	75,540	18,151	29,589	64,102
Furniture and fixtures	722	263	80	905
Office equipment	<u>7,840</u>	<u>1,710</u>	<u>1,663</u>	<u>7,887</u>
Total accumulated depreciation	<u>158,812</u>	<u>60,523</u>	<u>31,332</u>	<u>188,003</u>
Capital assets, net	<u>\$ 739,662</u>	<u>\$ (37,681)</u>	<u>\$ -</u>	<u>\$ 701,981</u>

Depreciation

Depreciation expense was unallocated for the year ended December 31, 2004.

White Lake Fire Authority
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE E—INTERFUND TRANSFERS

The General Fund made transfers of \$109,695 and \$19,517 to the Equipment Replacement Fund and facilities funds during the year ended December 31, 2004, respectively. These transfers were made to set aside funds for future equipment and facility replacement and upgrades.

NOTE F—COMMITMENTS

1. Building Leases

The Authority leases facilities from the City of Whitehall and Fruitland Township, which are participating governmental units, under thirty-year agreements. The City of Whitehall lease requires semi-annual rentals of approximately \$4,390. The Fruitland Township lease requires annual rental of approximately \$5,800. Occupancy expenses are paid by the lessor for both leases. Total rent expense was \$14,580 for the year ended December 31, 2004.

Each lease can be terminated by either party with twelve months advance notice.

2. Equipment Leases

The Authority leases equipment from the City of Whitehall and Fruitland Township under a thirty-year agreement requiring annual rentals of \$1. The Authority is responsible for all repair and maintenance of leased equipment. If leased equipment is replaced by the Authority, the leased equipment is required to be returned to the lessor for its disposal. Each lease can be terminated by either party with twelve months advance notice.

NOTE G—SUBSEQUENT EVENTS

The Authority entered into agreements in 2005 to purchase a ladder truck for approximately \$637,000 and a hovercraft for approximately \$27,000. The ladder truck will be financed with an installment purchase option along with a \$250,000 down payment. The hovercraft will be purchased with existing funds.

NOTE H—DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time Authority employees at their option, permits participants to defer a portion of their salary until future years and provides 5 percent matching contributions of employee elective deferrals. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency. The Authority's matching contribution was \$4,855 for the year ended December 31, 2004.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

White Lake Fire Authority
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE I—OTHER INFORMATION

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. Liabilities in excess of insurance are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There have been no losses in excess of insurance in the prior three years.

**NOTE J—RECONCILIATION OF GENERAL FUND FINANCIAL STATEMENTS TO
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Total fund balance – governmental funds	\$ 600,036
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Amounts reported for government activities in the
Statement of Net Assets is different because:

Capital assets used in governmental activities are
not current financial resources and are not reported
in this governmental fund.

Cost of capital assets	\$ 889,984	
Accumulated depreciation	<u>(188,003)</u>	<u>701,981</u>

Net assets of governmental activities in the Statement of Net Assets	<u>\$ 1,302,017</u>
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Net change in fund balances – total governmental funds	\$ 98,593
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Amounts reported for government activities in the
Statement of Activities are different because:

Governmental funds report outlays for capital assets and
bond issuance costs as expenditures in the Statement of
Activities; these costs are depreciated and amortized over
their estimated useful lives.

Depreciation expense	(60,523)
Capital outlay	<u>22,842</u>

Change in net assets in governmental activities	<u>\$ 60,912</u>
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REQUIRED SUPPLEMENTAL INFORMATION

White Lake Fire Authority
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE—BUDGET AND ACTUAL—GENERAL FUND
Year ended December 31, 2004

	Original budget	Modified accrual Final budget	Actual	Over (under) final budget
Revenues				
Property taxes	\$ 449,151	\$ 449,151	\$ 449,292	\$ 141
Intergovernmental revenue				
Local	21,978	21,978	21,978	-
Investment income	1,000	1,000	1,561	561
Contributions	-	-	1,500	1,500
Other	1,000	1,000	5,200	4,200
	<u>473,129</u>	<u>473,129</u>	<u>479,531</u>	<u>6,402</u>
Expenditures				
Current				
Salaries and wages	188,264	181,240	183,001	1,761
Fringe benefits	57,353	60,353	59,811	(542)
Operating supplies	4,500	4,960	4,932	(28)
Gasoline	7,200	8,067	8,154	87
Equipment maintenance	12,000	15,245	15,416	171
Office supplies	4,000	3,500	3,441	(59)
Insurance and bonds	15,000	16,326	16,326	-
Communications	12,500	11,700	11,638	(62)
Education and training	6,000	4,150	4,238	88
Professional fees	10,000	10,065	10,130	65
Uniforms	1,500	1,183	1,434	251
Rental and lease expense	16,600	15,306	15,286	(20)
Other	4,000	7,756	7,808	52
Capital outlay	5,000	5,475	5,474	(1)
Total Expenditures	<u>343,917</u>	<u>345,326</u>	<u>347,089</u>	<u>1,763</u>
Excess of revenues over (under) expenditures	129,212	127,803	132,442	4,639
Other financing uses				
Operating transfers out	129,212	129,212	129,212	-
Change in fund balance	\$ -	\$ (1,409)	3,230	\$ 4,639
Fund balance at January 1, 2004			<u>52,909</u>	
Fund balance at December 31, 2004			<u>\$ 56,139</u>	

The accompanying notes are an integral part of this statement.

BRICKLEY DeLONG

CERTIFIED PUBLIC ACCOUNTANTS

April 4, 2005

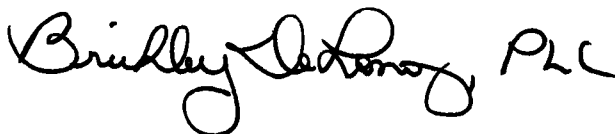
Board of Directors
White Lake Fire Authority
Whitehall, Michigan

In planning and performing our audit of the financial statements of White Lake Fire Authority for the year ended December 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted a certain matter involving the internal control and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the White Lake Fire Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. We have attached a summary of the reportable condition.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we do not believe the attached reportable condition is a material weakness.

This report is intended solely for the information of the Board of Directors, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.



REPORTABLE CONDITIONS

We consider this reportable condition contained in our April 29, 2002 letter still applicable:

Capitalization Policies

Recommendation 1: A capitalization policy should be adopted including a floor dollar limit for recording of assets within the Statement of Net Assets.